

California Acquisition Manual

PROCEDURE

APPLICATION OF PREFERENCES

CAM 3.5.2

DATE: 01/09/03

A. PURPOSE:

Describes the method of applying preferences to competitive bids to determine the evaluated bid prices. Preferences covered are the Small Business, Recycle, Target Area Contract Preference Act (TACPA), Enterprise Zone Act (EZA), and Local Agency Military Base Recovery Area (LAMBRA) Preferences.

B. DEFINITIONS: See Glossary Section for definitions. Any definitions included here are for purposes of this procedure only.

1. **All or none** – term used to describe a bid restriction imposed by a bidder on their own bid which conveys the bidder's wish to receive a contract for all the items bid or if not all, then none of the items.
2. **Bid** - term used synonymously for a response to a solicitation, such as bid, proposal, or quotation in response to Invitation For Bids (IFB), Request For Proposals (RFP), Request For Quotations (RFQ), and Price Requests (PR), or other type of competitive solicitation.
3. **Big Business (BB)** - any firm other than a Small Business as certified by the Office of Small Business Certification and Resources.
4. **Cost of preferences** – the difference between the awarded net bid price and the lowest responsible net bid price.
5. **Goods contract** - purchase order, master purchase agreement, or statewide commodity contract > \$2,500 for materials, supplies or equipment, and may include incidental services.
6. **Economic Zone Act (EZA) preference amount** - a calculated amount equal to **5%** of the lowest responsible net bid price for worksite in an economic zone plus an additional 1-4% for hiring economic zone eligible people for percentage of workforce during contract performance using the scale: **1%** for 5-9%; **2%** for 10-14%; **3%** for 15-19%; and **4%** for 20% or more. Maximum EZA preference amount is **\$50,000** with the maximum for the combination of all preferences of either 15% the net bid price or \$100,000, whichever is lower. Hiring preference is only allowed if worksite preference is claimed and only if bidder is eligible for worksite preference.
7. **Evaluated bid price (EBP)** - the calculated amount obtained by applying all eligible preferences to the net bid price, to determine the supplier to be selected for contract award. The application of preferences does not modify the prices bid or to be paid to a supplier selected for contract award.
8. **Fine writing and printing paper** - as defined in Public Contract Code Section 10855; also same as *bleached writing and printing paper* as defined in Public Resources Code Section 42202. See also CAM Section 2.5, Recycling and CAM Section 3.4.6, Recycling Requirements.

9. **IT** - information technology, which includes electronic data processing (EDP) and telecommunications goods and services.
10. **Local Agency Military Base Recovery Area (LAMBRA) preference amount** - a calculated amount equal to **5%** of the lowest responsible net bid price for worksite in a LAMBRA plus an additional 1-4% for hiring LAMBRA eligible people for percentage of workforce during contract performance using the scale: **1%** for 5-9%; **2%** for 10-14%; **3%** for 15-19%; and **4%** for 20% or more. The maximum LAMBRA preference amount is **\$50,000** with the maximum for the combination of all preferences of either 15% the net bid price or \$100,000, whichever is lower. Hiring preference is only allowed if worksite preference is claimed and only if bidder is eligible for worksite preference.
11. **Lowest responsible net bid price** - the lowest of all net bid prices of responsive bids from responsible bidders for a solicitation before preferences are applied.
12. **Material deviation** - a deficient response to a solicitation that is not in substantial accord with the requirements, provides an advantage to one bidder over other bidders, or has a potentially significant effect on the delivery, quantity or quality of items bid, amount paid to the supplier, or on the cost to the State.
13. **Net bid price** - the bid amount for a line item or combination of line items after the application of all discounts evaluated in a solicitation (e.g. trade-in, educational, volume, all or none, special, etc.) plus any appropriate freight costs for freight terms other than FOB Destination. The net bid price does not include any discounts offered but not evaluated (e.g., 0.25% cash discounts for payment within 10 days when the solicitation only will consider discounts for payments made within 20 days and greater than 0.5%). Sales and use taxes are generally not evaluated and therefore, usually not included. See Attachment 1 for a typical template spreadsheet for calculating net bid prices.
14. **Non-IT** - other than information technology.
15. **Preference** - statutory requirement to make monetary adjustments to bid prices for evaluation and selection purposes only.
16. **Prompt payment discount** - monetary consideration for payment made earlier than normal as specified in the solicitation. Sometimes referred to as **cash discount**.
17. **Recycle preference amount** - a calculated amount based on the percentage specified in the solicitation. It cannot exceed **10%** and cannot be less than **5%** of the lowest virgin net bid price. The maximum recycle preference amount is **\$100,000** in combination with all other preferences except if a SB will be precluded from award by application of this preference; in that case, the maximum recycle preference amount is **\$50,000**.
18. **Recycled content product** – same as defined in CAM Section 2.5 and 3.4.6. It is defined in Public Contract Code section 12200(a) as, “all materials, goods, supplies, with no less than 50% of the total weight of which consists of secondary and post-consumer waste with not less than 10% of its total weight consisting of post-consumer waste.” This definition applies to paper products, plastic products, compost and co-compost, glass products, lubrication oils, paints, solvents, re-treaded tires, and tire-derived products.

A recycled product also includes products that could have been disposed of as solid waste having completed its life cycle as a consumer item, but is otherwise refurbished for reuse without substantial alteration of its form. Examples of refurbished products include remanufactured laser toner cartridges, repaired office furniture, reconditioned carpet, and reformatted computer disks.

19. Responsible bidder - a bidder who is fully capable of performing all requirements of a contract. See CAM Section 3.5.4 for more information on responsibility.

20. Responsive bid - a bid that has no material deviations.

21. RFP – a solicitation document named Request for Proposals.

22. Services contract - a master rental or master service agreement, standard agreement, or service order > \$1,000 for non-IT services or >\$2,500 for IT services.

23. Small Business (SB) - a California business certified as Small Business by the Office of Small Business Certification and Resources, Department of General Services.

24. Small business preference amount - either

- (a) In solicitations where selection is based on cost alone, 5% of the lowest responsible Big Business net bid price or \$50,000, whichever is less; or
- (b) In solicitations where selection is not based on cost alone, 5% of the price component of the highest scored proposal from a Big Business not to exceed \$50,000 or 5% of the cost component, whichever is less.

This amount is then subtracted from the SB net bid price to obtain the evaluated net bid price after SB preference is applied.

25. SCM - the State Contracting Manual published by the Office of Legal Services, Department of General Services.

26. Target Area Contract Preference Act (TACPA) preference amount - a calculated amount equal to **5%** of the lowest responsible net bid price for worksite in a distressed area plus an additional 1-4% for hiring high risk unemployed people for percentage of workforce during contract performance using the scale: **1%** for 5-9%; **2%** for 10-14%; **3%** for 15-19%; and **4%** for 20% or more. Maximum TACPA preference amount is **\$50,000** with the maximum for the combination of all preferences of either 15% the net bid price or \$100,000, whichever is lower. Hiring preference is only allowed if worksite preference is claimed and only if bidder is eligible for worksite preference.

27. Virgin – products not qualified as recycled content product.

C. PROCEDURE:

1. Assumptions made include:

- a. This procedure assumes that all bids have been screened for eligibility prior to applying preferences in accordance with this section. That means that each bid will have been screened for preference eligibility according to the criteria specified in the CAM sections describing each preference, before using the procedures in this section to apply preferences.

- b.** This procedure also assumes that the buyer has identified all net bid prices for each responsive bid from a responsible bidder.
 - c.** All discounts offered in a bid and evaluated in a solicitation have been applied to arrive at a net bid price before preferences will be applied in accordance with the procedures below.
 - d.** All businesses claiming preferences in their bids are eligible for them. To be eligible, the bid must be responsive and meet statutory and regulatory criteria.
 - e.** A bid may consist of one or more line items offered by a bidder. Preference maximums, however, apply to the entire bid, which gives opportunities to distribute the preference amount amongst different line item combinations to maximize SB dollars.
 - f.** Bids are for goods or IT contracts and not for a public works or non-IT service contract.
 - g.** All evaluated net bid prices are comparable.
 - h.** LAMBRA Act (AB3 Baca) became operational January 1, 1999 and proposed LAMBRA regulations are expected to mirror TACPA regulations.
 - i.** In dealing with recycle preferences, they will apply only to qualified line items. They will not be applied to mixed combinations of qualified and non-qualified recycled content products.
- 2.** Because of the extensive calculations needed and the absence of a definitive automated methodology to seek optimum SB awards, it is recommended that electronic spreadsheets be used to make all necessary calculations. Microsoft (MS) Excel is an excellent tool for this purpose. The MS Excel spreadsheet used to create the examples in this section and Attachment 1, was developed for instructional use only. There may be other, more practical versions available from some experienced buyers. Caution: All spreadsheet are programmed with some limitations. Buyers should be aware of these limitations before using them.

Preference Program/ Contract Application	Preference %	Maximum Amount Allowed Per Bid
Small Business (SB) [GC 14838(b) & (f)] Goods & IT	5% of lowest BB net bid price when SB is not lowest bidder.	\$50,000.
Recycled Paper [PCC 12162(c) & (d)] Goods	As specified in the solicitation. It cannot exceed 10% and cannot be less than 5% of the lowest virgin net bid price.	\$100,000 in combination with all other preferences except if a SB will be precluded from award by application of this preference; the maximum is \$50,000.
Recycled Tires [PRC 42891-42894] Goods	5% of the lowest virgin net bid price.	Same as for recycled paper.
Target Area Contract Preference Act (TACPA) [GC 4533-4535.2] Goods & IT	5% of the lowest responsible net bid price for worksite in distressed area; an additional 1-4% for hiring high risk unemployed people for percentage of workforce during contract performance using scale below: 1% for 5-9% 2% for 10-14% 3% for 15-19% 4% for 20% or more.	\$50,000 for this preference; combination of all preferences not to exceed 15% of the net bid price or \$100,000, whichever is lower. Hiring preference allowed only if worksite preference claimed and only if bidder is eligible for worksite preference.
Economic Zone Act (EZA) [GC 7084] Goods & IT	Same as for TACPA except applies to worksites in enterprise zone and hiring persons living in targeted employment area or are enterprise zone eligible.	Same as for TACPA.
Local Agency Military Base Recovery Area (LAMBRA) [GC 7118] Goods & IT	Same as for TACPA except applies to worksites in local agency military base recovery area and hiring people living in such area.	Same as for TACPA.

3. Preferences when applied will be in the following order: (1) Small Business; (2) Recycle; and then (3) TACPA; (4) EZA; and (5) LAMBRA (which is the same order as adopted) using the following 7-step procedure below. Even though no order of precedence is explicitly established in the law, one can infer from the SB and recycle preference laws that at a minimum both preferences must be applied to all eligible bids before applying any other preferences.
4. **Since a small business may not be precluded from an award as a result of the application of TACPA, EZA, or LAMBRA preferences**, those preferences will only be applied when a small business will not be denied an award. In the case where a SB has the lowest evaluated net bid price after recycle and SB preferences are applied, and there are other SB bids claiming TACPA, EZA, or LAMBRA preferences, eligible TACPA, EZA, and LAMBRA preferences will be applied to all SB bids to determine the lowest evaluated net bid prices. Only after all preferences have been applied to all SB bids and the lowest evaluated net bid price is still not from a SB will the TACPA, EZA and LAMBRA preferences be applied to eligible BB bids.
5. Considering all of the above, the 7-step procedure for applying all applicable preferences to goods or IT bids is described below. It is to be used to determine the evaluated bid prices only. Selection of winning bids will be made in accordance with the selection criteria in each solicitation document. For easier reading and comprehension, the lowest net bid price is highlighted in bold, italic font in all the examples below.

STEP 1: Identify all net bid price combinations to be evaluated.

In most bids, this would be all the individual line items and the total of all line items. When a bidder bids on selected line items in a multi-line item solicitation on all or none basis and the solicitation rules do not preclude this offer, the buyer will need to evaluate the net bid price for that combination in all comparable bids as well. For each of the net bid price combination to be evaluated, perform Steps 2-5 below. Hint: For ease of analysis and documentation purposes, the buyer may want to run various combinations in separate spreadsheets. One or more iterations may be necessary before final evaluated bid prices may be obtained.

STEP 2: Apply small business preferences to all eligible net bid prices:

- a. Identify the lowest responsible net bid prices before any preference is applied. If it is from a Small Business, go to Step 3. If it is from a Big Business, continue with Step 2.b.
- b. Calculate the small business preference amount (5% of the **lowest responsible net bid price** or \$50,000, whichever is less). See Examples 1 and 2 below.
- c. Subtract the small business preference amount from all net bid prices from Small Businesses to yield the net bid prices after SB preferences are applied.
- d. Note whether the lowest net bid price after SB preferences are applied is from a SB. This is necessary for Step 3.d.
- e. If no other preferences are claimed in all bids, skip to Step 6.

Example 1: Straight 5% SB Preference Calculation

	SB Bid	Lowest BB Bid
Net Bid Price	\$104,000	\$100,000
- SB Preference Amount (5% of the lowest net bid price when it is from a BB [i.e. \$100,000 x .05] up to max \$50,000; not applied if the lowest net bid price is from a SB).	-\$5,000	
Net Bid Price After SB Preference Applied	\$99,000	\$100,000

Example 2: SB Preference at \$50,000 Maximum Calculation

	SB Bid	Lowest BB Bid
Net Bid Price	\$1,004,000	\$1,001,000
- SB Preference Amount (\$50,000 since 5% of the lowest net bid price [\$1,001,000 x .05 or \$50,050] exceeds maximum).	-\$50,000	
Net Bid Price After SB Preference Applied	\$954,000	\$1,001,000

STEP 3: Apply applicable recycle preferences to all eligible net bid prices:

- a. Identify all eligible bids claiming recycle preferences and the category of recycled products for the item. The only items that may qualify for preferences are recycled paper products, and recycled tires.

Please note that this preference is only applied if both virgin and recycled content products are acceptable for a solicited line item (see Assumption 1.i above). Should only recycled content product be bid, then this preference would be moot and should not be applied. This is similar to the SB preference situation when all bids received are from SB.

- b. Calculate the recycle preference amount for each eligible net bid price:
 - (1) For a bid item(s) categorized as an eligible recycled paper product, the recycle preference amount is as specified in the solicitation. It will be an amount between 5% and 10% of the lowest virgin **net bid price** or the difference between \$100,000 and any SB preference amount applied to the net bid price, whichever is less. See Examples 3, 4 and 5 below.

- (2) For a bid item categorized as eligible recycled tires, the recycle preference amount is 5% of the **lowest virgin net bid** or the difference between \$100,000 and any SB preference amount applied to the net bid price, whichever is less. See Examples 6, 7 and 8 below.
- c. Subtract the recycle preference amount from all eligible net bid prices after SB preferences are applied to yield the net bid prices after SB and recycle preferences are applied.
 - d. If the lowest net bid after SB preferences are applied was from a SB, and the new lowest net bid is from a Big Business after both the SB preference and recycle preferences are applied, then:
 - (1) **Recalculate** the recycle preference amount for each eligible bid to be the lesser of the recycle preference amount calculated in Step 3.b or \$50,000.
 - (2) Subtract the recalculated recycle preference amount from all eligible net bid prices after SB preferences are applied to yield the net bid prices after both SB and recycle preferences are applied.
- See Examples 9, 10 and 11 below.
- e. If a SB has submitted the lowest net bid price after both SB and recycle preferences are applied, and there are no more preferences claimed in all responsive SB bids, stop all other preference calculations and go to Step 6. Otherwise, continue with Step 3.f.
 - f. If no other preferences are claimed in all bids, skip to Step 6; otherwise, continue with Step 4.

Example 3: Recycled (10%) Paper Preference Calculation, No SB Preference Applied to Recycle Bid, No SB Award Precluded By Recycle Preference Application

	Lowest Virgin Paper Bid	Recycled Paper Bid
Net Bid Price	\$104,000	\$110,000
- Recycle Preference Amount (10% of lowest virgin <i>net bid price</i> up to max \$100,000)		-\$10,400
Net Bid Price After Recycle Preference Applied	\$104,000	\$99,600

Example 4: Recycled (10%) Paper Preference Calculation, Maximum \$100,000, No SB Preference Applied to Recycle Bid, No SB Award Precluded By Recycle Preference Application

	Lowest Virgin Paper Bid	Recycled Paper Bid
Net Bid Price	\$1,004,000	\$1,054,000
- Recycle Preference Amount (10% of lowest virgin <i>net bid price</i> [\$100,400] exceeds max \$100,000)		-\$100,000
Net Bid Price After Recycle Preference Applied	\$1,004,000	\$954,000

Example 5: Recycled (5%) Paper Preference Calculation, Maximum \$100,000 Less SB Preference Applied, No SB Award Precluded By Recycle Preference Application

	BB Virgin Paper Bid	SB Recycled Paper Bid
Net Bid Price	\$960,000	\$1,050,000
- SB Preference Amount (5% of the <i>lowest net bid price</i> , i.e. \$960,000 x .05, max \$50,000)		-\$48,000
SB Net Bid Price After SB Preference Applied:	\$960,000	\$1,002,000
- Recycle Preference Amount (5% of <i>lowest virgin net bid price</i> [\$1,050,000 * .05 or \$52,500] up to max \$100,000 less SB preference amount applied [i.e. \$100,000 – 48,000]) since no SB award is precluded by recycle preference application and max of all preferences is \$100,000).		-\$52,000
Net Bid Price After SB & Recycle Preferences Applied	\$960,000	\$950,000

Example 6: Straight Recycled (5%) Tires Preference Calculation, No SB Preference
Applied to Recycle Bid, No SB Award Precluded By Recycle Preference
Application

	Lowest Virgin Tires Bid	Recycled Tires Bid
Net Bid Price	\$100,000	\$104,000
- Recycle Preference Amount (5% of <i>lowest virgin bid</i> up to max \$100,000 since no SB award is precluded by recycle preference application).		-\$5,000
Net Bid Price After Recycle Preference Applied	\$100,000	\$99,000

Example 7: Recycled (5%) Tires Preference Calculation, Max \$100,000, No SB
Preference Applied to Recycled Tires Bid, No SB Award Precluded By Recycle
Preference Application

	Lowest Virgin Tires Bid	Recycled Tires Bid
Net Bid Price	\$2,001,000	\$2,094,000
- Recycle Preference Amount (5% of <i>lowest virgin bid</i> [\$2,001,000 x .05 = \$100,050] up to max \$100,000 since no SB award is precluded by recycle preference application).		-\$100,000
Net Bid Price After SB & Recycle Preferences Applied	\$2,001,000	\$1,994,000

Example 8: Recycled Tires Preference Calculation, Max \$100,000 Less SB
Preference Applied, No SB Award Precluded By Recycle Preference Application

	BB Virgin Tires Bid	BB Recycled Tires Bid	SB Recycled Tires Bid
Net Bid Price	\$1,025,000	\$990,000	\$1,050,000
- SB Preference Amount (5% of the <i>lowest net bid price</i> , i.e. \$990,000 x .05)			-\$49,500
SB Net Bid Price After SB Preference Applied	\$1,025,000	\$990,000	\$1,000,500
- Recycle Preference Amount (5% of <i>lowest virgin bid</i> [\$1,025,000 * .05 or \$51,250] up to max \$100,000 less SB preference amount applied [\$100,000 & (\$100,000 – 49,500)] since no SB award is precluded by recycle preference application and max of all preferences is \$100,000).		-\$51,250	-\$50,500
Net Bid Price After SB & Recycle Preferences Applied	\$1,025,000	\$938,750	\$950,000

Example 9: Recycled Paper (10%) Preference Calculation When Low SB Award
Precluded By Recycle Preference Application

	BB Recycled Paper Bid	SB Virgin Paper Bid
Net Bid Price	\$540,000	\$500,000
- SB Preference Amount (i.e. SB submits the lowest net bid price)		N/A
- Recycle Preference Amount (10% of <i>lowest virgin net bid price</i> [\$500,000 x .10 or \$54,000] up to max \$50,000 since SB award is precluded by recycle preference application and max of all preferences is \$100,000).	-\$50,000	
Net Bid Price After SB & Recycle Preferences Applied	\$490,000	500,000

Example 10: Recycled Paper Products (5%) Preference Calculation When SB Preference Applied to Competing Bid & SB Award Precluded By Recycle Preference Application

	BB Recycled Paper Bid	SB Virgin Paper Bid
Net Bid Price	\$1,001,000	\$1,005,000
- SB Preference Amount (5% of the <i>lowest net bid price</i> , [\$1,001,000 x .05 or \$50,050] up to max \$50,000)		-\$50,000
SB Net Bid Price After SB Preference Applied	\$1,001,000	\$955,000
- Recycle Preference Amount (5% of <i>lowest virgin net bid price</i> [\$1,005,000 x .05 or \$50,250] up to max \$50,000 since SB award is precluded by recycle preference application).	\$50,000	
Net Bid Price After SB & Recycle Preferences Applied	\$951,000	\$955,000

Example 11: SB & Recycled Tires Preference Calculations, Max \$100,000 For All Preferences Applied, SB Award Precluded By Recycle Preference Application

	BB Virgin Tires Bid	SB Virgin Tires Bid	SB Recycled Tires Bid
Net Bid Price	\$2,000,000	\$2,045,000	\$2,090,000
- SB Preference Amount (5% of the lowest net bid price when it is from a BB, up to max \$50,000; not applied if the lowest net bid price is from a SB)		-\$50,000	-\$50,000
Net Bid Price After SB Preference Applied	\$2,000,000	\$1,995,000	\$2,040,000
Lowest Virgin Net Bid Price	\$2,000,000		
- Recycle Preference Amount (5% of <i>lowest virgin bid</i> up to max \$50,000 since SB award is precluded by recycle preference application). Note 5% [\$2,000,000 x .05 or \$100,000] exceeds max of \$50,000.			-\$50,000
Net Bid Price After SB & Recycle Preferences Applied	\$2,000,000	\$1,995,000	\$1,990,000

STEP 4: Apply TACPA, EZA, and LAMBRA preferences to all eligible (if any) SB net bid prices:

- Identify all eligible bids and whether TACPA, EZA or LAMBRA preferences are claimed. NOTE: The additional hiring preference portion is only allowed if the bid claims and is eligible for the worksite preference portion.

- b. Determine the preference limit for the net bid price as the minimum of:
 - (1) 15% of the lowest responsible net bid price; or
 - (2) \$100,000.
- c. Calculate the TACPA preference amount for each eligible net bid price:
 - (1) For worksite in a distressed area, calculate 5% of the lowest responsible net bid price.
 - (2) If the worksite preference is claimed and granted, and an additional hiring preference is claimed and granted for hiring high risk unemployed people as percentage of workforce during contract performance, add an additional percentage of the lowest responsible net bid price based on the scale below:

Hiring Preference

Preference %	Contract Workforce Percentage
1%	5-9%
2%	10-14%
3%	15-19%
4%	20% or more

- (3) Calculate the TACPA preference amount to be the lesser of: (a) the combined eligible work site and hiring preference amounts; or (b) \$50,000. See Examples 12 and 13 below.
- (4) Recalculate the TACPA preference amount to be the lesser of: (a) the bid preference limit (15% or \$100,000, whichever is less) less any SB and recycle preference amounts applied to the bid; or (b) the preference amount calculated in Step 4.c.(3). See Examples 14 and 15 below.
- (5) Subtract the TACPA preference amount from all eligible net bid prices after SB and recycle preferences are applied to yield the net bid prices after SB, recycle, and TACPA preferences are applied.

Example 12: Straight TACPA Preference Calculation

	TACPA Bid	Non-TACPA Bid
Net Bid Price	\$103,000	\$99,000
TACPA Preference % Claimed (5% of the lowest responsible net bid price for worksite in distressed area; an additional 1-4% for hiring high risk unemployed people for percentage of workforce during contract performance, up to a maximum of \$50,000 for this preference and the lesser of 15% or \$100,000 for all preferences applied).	5% for worksite only	
- TACPA Preference Amount (% of the lowest responsible net bid price [\$99,000 x .05])	-\$4,950	
Net Bid Price After TACPA Preference Applied	\$98,050	\$99,000

Example 13: TACPA Preference Calculation at \$50,000 Maximum

	TACPA Bid	Non-TACPA Bid
Net Bid Price	\$1,004,000	\$1,000,000
TACPA Preference % Claimed (5% of the lowest responsible net bid price for worksite in distressed area; an additional 1-4% for hiring high risk unemployed people for percentage of workforce during contract performance, up to a maximum of \$50,000 for this preference and the lesser of 15% or \$100,000 for all preferences applied).	5% for worksite, 1% for hiring for 6% total claimed	
- TACPA Preference Amount (\$50,000 since 6% of the lowest net bid price [\$1,000,000 x .06 or \$60,000] exceeds maximum).	-\$50,000	
Net Bid Price After TACPA Preference Applied	\$954,000	\$1,000,000

Example 14: TACPA Preference Calculation With Preferences Exceeding \$100,000 Bid Maximum Limit

	BB Recycle Bid	SB TACPA Bid	SB Recycle TACPA Bid
Net Bid Price	\$1,000,000	\$1,045,000	\$1,090,000
- SB Preference Amount (\$1,000,000 x .05)		-\$50,000	-\$50,000
- Recycle Preference Amount (\$1,045,000 x .05)	-\$50,000		-\$50,000
TACPA Preference % Claimed		7%	5%
- TACPA Preference Amount (\$1,000,000 x % claimed, max \$50,000 TACPA preference, max \$100,000 combined preferences)		-\$50,000 (maximum)	-\$0 (exceeds bid maximum)
Net Bid Price After Above 3 Preferences Applied	950,000	\$945,000	\$990,000

Example 15: TACPA Preference Calculation With Preferences Exceeding 15% Bid Maximum Limit

	BB Recycle Bid	SB TACPA Bid	SB Recycle TACPA Bid
Net Bid Price	\$450,000	\$500,000	\$510,000
- SB Preference Amount (\$450,000 x .05)		-\$22,500	-\$22,500
- Recycle Preference Amount (\$500,000 x .05)	-\$25,000		-\$25,000
Total SB & Recycle Preferences	\$25,000 (5.5% of bid)	\$22,500 (4.5% of bid)	\$47,500 (9.3% of bid)
Max Bid Preference Limit (15%)	\$67,500	\$75,000	\$76,500
TACPA Preference % Claimed		7%	9%
- TACPA Preference Amount (\$450,000 x % claimed, max 15% of bid for combined preferences)		-\$31,500 (within max)	-\$29,000 (full 9% [\$40,500] would exceed bid maximum, difference allowed)
Net Bid Price After Above 3 Preferences Applied	\$425,000	\$446,000	\$433,500

- d. Calculate the EZA preference amount for each eligible bid using steps similar to the calculation of the TACPA preference amount above except that worksites need to be in an eligible economic zone and persons hired must live in a targeted employment area or are economic zone eligible:
- (1) For work site in an eligible economic zone, 5% of the lowest responsible net bid price.
 - (2) If the work site preference is claimed and granted, and an additional hiring preference is claimed and granted for hiring persons living in targeted employment area or who are economic zone eligible as percentage of workforce during contract performance, add an additional percentage of the lowest responsible net bid price based on the same scale used in the TACPA preference above.
 - (3) Calculate the EZA preference amount to be the lesser of: (a) the combined eligible work site and hiring preference amounts; or (b) \$50,000. See Example 16 below.
 - (4) Recalculate the EZA preference amount to be the lesser of: (a) the bid preference limit (15% or \$100,000, whichever is less) less any SB, recycle and TACPA preference amounts applied to the net bid price; or (b) the preference amount calculated in Step 4.d.(3) above. See Examples 17 and 18 below.
 - (5) Subtract the EZA preference amount from all eligible net bid prices after SB, recycle, and TACPA preferences are applied to yield the net bid prices after SB, recycle, TACPA, and EZA preferences are applied.

Example 16: Straight EZA Preference Calculation

	EZA Bid	Non-EZA Bid
Net Bid Price	\$105,000	\$99,000
EZA Preference % Claimed (5% of the lowest responsible net bid price for worksite in economic zone; an additional 1-4% for hiring qualified persons during contract performance, up to a maximum of \$50,000 for this preference and the lesser of 15% or \$100,000 for all preferences applied).	5% for worksite, 2% for hiring for 7% total claimed	
- EZA Preference Amount (i.e. \$99,000 x .07)	-\$6,930	
Net Bid Price After EZA Preference Applied	\$98,070	\$99,000

Example 17: EZA Preference Calculation With Preferences Exceeding \$100,000
Bid Maximum Limit

	BB Recycle EZA Bid	BB TACPA EZA Bid	SB Recycle EZA Bid
Net Bid Price	\$1,000,000	\$1,045,000	\$1,090,000
- SB Preference Amount (\$1,000,000 x .05)			-\$50,000
- Recycle Preference Amount (\$1,045,000 x .05)	-\$52,250		-\$50,000
- TACPA Preference Amount (\$1,000,000 x % subject to max)		-\$50,000	
EZA Preference % Claimed	9%	7%	5%
- EZA Preference Amount (\$1,000,000 x % claimed, max \$50,000, max combined preferences \$100,000)	-\$47,750 (exceeds bid maximum)	-\$50,000 (exceeds preference maximum)	-\$0 (exceeds bid maximum)
Net Bid Price After Above 4 Preferences Applied	\$900,000	\$945,000	\$990,000

Example 18: EZA Preference Calculation With Preferences Exceeding 15% Bid
Maximum Limit

	BB Recycle Bid	SB TACPA EZA Bid	SB Recycle EZA Bid
Net Bid Price	\$450,000	\$500,000	\$510,000
- SB Preference Amount (\$450,000 x .05)		-\$22,500	-\$22,500
- Recycle Preference Amount (\$500,000 x .05)	-\$25,000		-\$25,000
- TACPA Preference Amount (\$450,000 x % subject to max)		-\$22,500	
Total Above 3 Preferences	\$25,000 (5.6% of bid)	\$45,000 (9.0% of bid)	\$47,500 (9.3% of bid)
Max Bid Preference Limit (15%)		\$75,000	\$76,500
EZA Preference % Claimed		5%	9%
- EZA Preference Amount (\$450,000 x % subject to max)		-\$22,500 (within max limit)	-\$29,000 (full 9% [\$40,500] would exceed bid maximum, difference allowed)
Net Bid Price After Above 4 Preferences Applied	\$425,000	\$432,500	\$433,500

- e. Calculate the LAMBRA preference amount for each eligible bid using steps similar to the calculation of the TACPA preference amount above except that work sites need to be in an eligible local agency military base recovery area and persons hired must live in a LAMBRA:

- (1) For work site in an eligible LAMBRA, calculate 5% of the lowest responsible net bid price. See Example 19 below.
- (2) If the work site preference is claimed and granted, and an additional hiring preference is claimed and granted for hiring LAMBRA eligible persons as percentage of workforce during contract performance, add an additional percentage of the lowest responsible net bid price based on the same scale used in the TACPA preference above.
- (3) Calculate the LAMBRA preference amount to be the lesser of: (a) the combined eligible work site and hiring preference amounts; or (b) \$50,000. See Example 19 below.
- (4) Recalculate the LAMBRA preference amount to be the lesser of: (a) the bid preference limit (15% or \$100,000, whichever is less) less any SB, recycle, TACPA, and EZA preference amounts applied to the bid; or (b) the preference amount calculated in Step 4.e.(3). See Examples 20 and 21 below.
- (5) Subtract the LAMBRA preference amount from all eligible net bid prices after SB, recycle, and TACPA preferences are applied to yield the net bid prices after SB, recycle, TACPA, EZA, and LAMBRA preferences are applied.

Example 19: Straight LAMBRA Preference Calculation

	LAMBRA Bid	Non- LAMBRA Bid
Net Bid Price	\$107,000	\$99,000
LAMBRA Preference % Claimed (5% of the lowest responsible net bid price for qualified worksite; an additional 1-4% for hiring qualified persons during contract performance, up to a maximum of \$50,000 for this preference and the lesser of 15% or \$100,000 for all preferences applied).	5% for worksite, 4% for hiring for 9% total claimed	
- LAMBRA Preference Amount (i.e. \$99,000 x .09)	-\$8,910	
Net Bid Price After LAMBRA Preference Applied	\$98,090	\$99,000

Example 20: LAMBRA Preference Calculation With Preferences Exceeding
\$100,000 Bid Maximum Limit

	BB Recycle 6% EZA Bid	BB TACPA 5% EZA Bid	SB Recycle LAMBRA Bid
Net Bid Price	\$900,000	\$950,000	\$990,000
- SB Preference Amount (\$900,000 x .05)			-\$45,000
- Recycle Preference Amount (\$950,000 x .05)	-\$47,500		-\$47,500
- TACPA Preference Amount (\$900,000 x % subject to max)		-\$45,000	
- EZA Preference Amount (\$900,000 x % subject to max)	-\$50,000	-\$45,000	
LAMBRA Preference % Claimed			5%
- LAMBRA Preference Amount (\$900,000 x % claimed, max \$50,000, max combined preferences \$100,000)			-\$7,500 (exceeds bid maximum, difference allowed)
Net Bid Price After All 5 Preferences Applied	\$802,500	\$860,000	\$890,000

Example 21: LAMBRA Preference Calculation With Preferences Exceeding 15%
Bid Maximum Limit

	BB Recycle Bid	BB TACPA 7% EZA Bid	SB Recycle LAMBRA Bid
Net Bid Price	\$450,000	\$500,000	\$510,000
- SB Preference Amount (\$45,000 x .05)			-\$22,500
- Recycle Preference Amount (\$500,000 x .05)	-\$25,000		-\$25,000
- TACPA Preference Amount (\$450,000 x % subject to max)		-\$31,500	
- EZA Preference Amount (\$450,000 x % subject to max)		-\$31,500	
Total Above 4 Preferences	-\$25,000	\$63,000 (12.6% of bid)	\$47,500 (9.3% of bid)
Max Bid Preference Limit (15%)		\$75,000	\$76,500
LAMBRA Preference % Claimed			9%
- LAMBRA Preference Amount (\$450,000 x % subject to max)			-\$29,000 (full 9% [\$40,500] would exceed bid maximum, difference allowed)
Net Bid Price After All 5 Preferences Applied	\$425,000	\$437,000	\$433,500

- f. If a SB has submitted the lowest net bid price after all preferences are applied in this step, skip to Step 6; otherwise, continue with Step 5.

STEP 5: Apply TACPA, EZA and/or LAMBRA preferences to all eligible BB net bid prices.

Repeat Step 4 to apply these preferences to all eligible BB net bid prices. See Example 22 below. If there are no eligible BB net bid prices, go to Step 6.

Example 22: Calculations With Preferences Exceeding 15% Bid Maximum Limit
and SB Is Not Lowest After All Preferences Are Applied To SB Net Bid
Prices

	BB Recycle LAMBRA Bid	BB TACPA EZA Bid	SB Recycle LAMBRA Bid
Net Bid Price	\$450,000	\$500,000	\$510,000
- SB Preference Amount (\$45,000 x .05)			-\$22,500
- Recycle Preference Amount (\$500,000 x .05)	-\$25,000		-\$25,000
- TACPA Preference Amount (\$450,000 x % subject to max)		-\$31,500	
- EZA Preference Amount (\$450,000 x % subject to max)		-\$31,500	
Total Above 4 Preferences	-\$25,000 (5.6% of bid)	-\$63,000 (12.6% of bid)	-\$47,500 (9.3% of bid)
Max Bid Preference Limit (15%)	\$67,500	\$75,000	\$76,500
LAMBRA Preference % Claimed	5%		9%
- LAMBRA Preference Amount (\$450,000 x % subject to max)	-\$22,500 (within max limit)		-\$29,000 (full 9% [\$40,500] would exceed bid maximum, difference allowed)
Net Bid Price After All 5 Preferences Applied	\$402,500	\$437,000	\$433,500

**STEP 6: Adjust evaluated bid prices as needed to not exceed preference
maximums:**

After performing Steps 2-5 for all net bid price combinations identified for evaluation, proceed to adjust the evaluated bid prices as needed to comply with preference maximums per bid. Tally all awards and applied preferences, by bid (i.e. add all evaluated bid prices and individual preference amounts for all line items in each bid). If the maximums for all preferences have not been exceeded for any bid (see table before Step 1 for maximums), proceed to Step 7 to determine what awards to make from which bid. If the maximum for any preference in a bid has been exceeded, proceed to adjust the preliminary evaluated bid prices by: (1) combining winning line items of the preference maximum-exceeding bids into a new net bid price combination to be evaluated; and (2) repeat Steps 2-5 to consider all net bid prices for this new combination. Bids submitted on an all or none basis should be considered in total as a line item in this procedure only. Continue to adjust the applied preference amounts accordingly until all preliminary winning evaluated bid prices have not exceeded the maximums for all preferences. Then proceed to Step 7.

Example 23 below illustrates the need to adjust evaluated bid prices in a multiple line item solicitation as well as why we do line item awards. When each line item is evaluated separately, we get one set of evaluated bid prices. Upon tallying the preliminary awards made from a single bid, we see preference maximums can be

exceeded. In this example, in each line item, the preference maximums have not been exceeded but when we combine the preliminary winning line items, we see that some adjustments may be necessary. When a buyer encounters such an occasion, it is highly recommended to consult with the buyer's supervisor to validate that the evaluated bid prices have been calculated correctly.

Example 23: Evaluated Bid Price Adjustment

Line Item	SB Evaluated Bid Price	Preference \$ in SB EBP	BB Evaluated Bid Price w/ No Preference \$
1	\$420,000	\$22,000	\$440,000
2	501,000	25,000	500,000
3	460,000	24,000	480,000
4	306,000	15,000	300,000
5	311,000	16,000	320,000
6	485,000	24,000	480,000
Totals of Winning Line Items			
1, 3 & 5	\$1,191,000	\$62,000	\$1,240,000
2, 4 & 6	\$1,292,000	64,000	1,280,000
Adjusted Evaluated Bid Prices			
1, 3 & 5	\$1,203,000	\$50,000	\$1,240,000
2, 4 & 6	\$1,356,000	0	1,280,000
SB Bid BB Bid			
All Items	\$2,859,000		\$2,520,000

STEP 7: Determine combination of evaluated bid prices that maximizes SB awards:

In single line item solicitations, proceed with any remaining steps in the evaluation and selection phase of the solicitation process.

In multiple line item solicitations, determine which line item combination will result in the largest SB award amount per Government Code Section 14838(b). That is, if lowest responsive bid is the award selection criteria, the buyer needs to determine awards based on the lowest evaluated bid prices. Whichever combination of line items that maximizes SB award amounts should be used. In Example 23 above, an award for a combination of line items would maximize SB awards. In best value solicitations the evaluated bid prices will be considered in accordance with the solicitation evaluation criteria. Proceed with any remaining steps in the evaluation and selection phase of the solicitation process after making this determination.

D. RESPONSIBILITIES:

The **buyer** for a solicitation needs to use net bid prices in all calculations and ensure that the calculations made are in conformance with the procedures identified above and the solicitation's evaluation and selection criteria. In some solicitations where bids have been accepted on an all or none basis, multiple scenarios (spreadsheets) may need to be used for evaluation and printed for file documentation. Once all eligible preferences are applied, the buyer should print out the evaluated bid prices in ascending order for file documentation along with all final preference amounts applied by award. The

Procurement Summary should include these printouts as attachments. See CAM Section 3.6.1, Contract File Documentation.

E. ATTACHMENT(S):

[Attachment 1: Excel Spreadsheet Examples for Instructional Purposes](#)

F. AUTHORITY AND REFERENCES:

1. Statutory:

- | | |
|--------------------|---|
| a. Small Business: | GC 4532.5, GC 14838(b) & (f), PCC 12102 |
| b. Recycled Paper: | PCC 10855, 12162(c) & (d), PRC 42202 |
| c. Recycled Tires: | PRC 42890-42895 |
| d. TACPA: | GC 4530-4535.3 |
| e. EZA: | GC 7070-7086 |
| f. LAMBRA: | GC 7118 |

2. Administrative:

- | | |
|--------------------|--|
| a. Small Business: | CCR Title 2, Division 2, Chapter 3, Subchapter 8, |
| b. Recycled Paper: | Article 2, Section 1896.2 |
| c. Recycled Tires: | None |
| d. TACPA: | None |
| e. EZA: | CCR Title 2, Division 2, Chapter 3, Subchapter 9, |
| f. LAMBRA: | Article 1, Section 1896.30 - 41 |
| | CCR Title 2, Division 2, Chapter 3, Subchapter 11, |
| | Article 1, Section 1896.30-100 - 111 |
| | To Be Determined Later |

3. Procedural:

CAM 2.3, Small Business Opportunity Program
[CAM 2.5, Recycling](#)
[CAM 3.3.5, Supplier Development and Capability Assessment](#)
CAM 3.4.3, Small Business Participation
CAM 3.4.4, TACPA/ EZA, and LAMBRA
[CAM 3.4.6, Recycling Requirements](#)
[CAM 3.5.4, Assessing Supplier Responsiveness and Responsibility](#)
CAM 3.6.1, Contract File Documentation

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